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Review

**SUPERCAPITALISM: The Transformation of
Business, Democracy, and Everyday Life
By Robert B. Reich
Reviewed by Carl Schramm**

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Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, www.ssireview.com

Crisis of Democracy

Review by Carl Schramm

**SUPERCAPITALISM:
The Transformation of
Business, Democracy,
and Everyday Life**

Robert Reich
272 pages (paperback),
Knopf, 2008

On the topic of political economy, the prophetic Cassandra genre has a long lineage in American letters. Thinkers such as Thorstein Veblen, John Kenneth Galbraith, and Lester Thurow periodically issue calls for repentance lest the United States careen toward economic collapse. Through it all, of course, the American economy has continued to grow, creating wealth and a standard of living never before experienced—indeed, never before imagined—in human history.

The tradition nevertheless persists. Several recent books—Jacob Hacker’s *The Great Risk Shift*, Louis Uchitelle’s *The Disposable American*, and Steven Greenhouse’s *The Big Squeeze*, among them—argue that the U.S. economy has backed itself into an unsustainable corner of inequality, diminished opportunity, and dim prospects.

Somewhat related to these, but with greater depth and insight, is Robert Reich’s most recent book, *Supercapitalism*, published a year ago and now out in paperback. The timing is fortuitous. Reich, a former labor secretary under Bill Clinton and prominent author and commentator, explores the neglected side of topics featured in the current campaign season.

His basic thesis is that the link between capitalism and democracy has become attenuated: “Capitalism has become more responsive to what we want as individual purchasers of goods, but democracy has grown less responsive to what we want together as citizens.” As a result, “capitalism has invaded democracy” and created what Reich calls “supercapitalism.”

Here, Reich owes a debt to Galbraith, who first explored what he saw as the paradox of private affluence and public squalor

in the 1950s. That link, in fact, is somewhat amusing—for Reich, the late 1950s and early 1960s represent the zenith of American democratic capitalism, what he calls our “Not Quite Golden Age.” Since then, he writes, all things economic and democratic have changed dramatically.

This is not, however, the conventional account about the machinations of a wealthy cabal, or the evils of globalization, or the dastardly effects of Reaganomics. Reich handily dismisses such superficial explanations for America’s transformation, focusing instead on more subtle drivers of change and how to respond to them. For the most part, Reich celebrates the economic achievements of the last 30 years. His concern lies with the sociopolitical context of those achievements. “Markets have become hugely efficient at responding to individual desires for better deals, but are quite bad at responding to goals we would like to achieve together. ... [T]he institutions that used to aggregate citizen values have declined.”

So what has caused this “crisis of democracy in the age of supercapitalism”? Why do “our values as citizens have virtually no effective means of expression”? Reich’s answer is “you and me.” His constant refrain is that business competition has intensified and executive pay has risen because of “the increasing pressure on companies from consumers like you and me who want better deals, and from investors like us who want better returns.”

Largely as a result of new technologies that created global supply chains, lowered production costs, and enhanced capital markets, the economy became democratized. Consumers and investors, stifled in the 1950s and 1960s by oligopolistic companies, labor unions, and regulators, were now able to demand better, faster, and cheaper products and services. Established firms stumbled and entrepreneurs rose in their place, helping to create a new, more prosperous form of capitalism.

From the democratic perspective, Reich argues, these gains have had unfortunate consequences: less economic security, fewer checks on the excesses of the market, and less solicitousness of citizen interests from Washington. Newspapers run daily stories on the first two; Reich covers familiar ground here. But on the third topic Reich offers more sophisticated thinking than standard explanations that usually involve a political conspiracy by “big business.”

In the Not Quite Golden Age, competition between firms was minimal because bureaucracy and oligopoly were the rule of the day. In the era of supercapitalism, however, competition has become supercharged. The economic result has been an explosion of opportunity, but the logical extension of that competition into politics has meant the sucking of power and money to Washington. Google Inc. and Microsoft Corp., for example, now fight their technological battles as much in Washington as on our computers. Anyone interested in the health of democracy should be concerned at such concentration in the seat of government.

The corollary, Reich argues, is that “a kind of faux democracy has invaded capitalism.” He is not kind to the faddish ideas of “corporate social responsibility” and “stakeholder capitalism,” because they do not do what a democracy should: “create rules that balance the interests of consumers and investors with the broader interests of the public.”

As in his previous books, Reich’s prose flows smoothly, though he sometimes lapses into repetitive paragraphs that grate on the reader. Reich may also overplay his central opposition between consumers/investors and citizens. I find it hard to believe that most people in this country walk around in a constant state of cognitive dissonance, as he seems to imply. And in some cases, what’s good for us as consumers is also good for us as citizens. Take health care: Moving toward greater consumer choice will increase access and equity,



CARL SCHRAMM has served as president and CEO of the Kauffman Foundation since 2002. He is the author of *The Entrepreneurial Imperative* and coauthor of *Good Capitalism, Bad Capitalism*.

points on the scorecard for capitalism as well as democracy.

Unlike other authors, Reich acknowledges that the past cannot, and should not, be recreated. “Supercapitalism” has changed the rules and thus demands new ideas. He makes a strong case, for instance, for abolishing the corporate income tax. Yet his suggested solutions largely involve timeworn ideas: make better laws and regulations, and reduce the role of money in the political process. In the end, his main culprit, the “largest impediment to reform,” is a familiar one: politicians.

Still, *Supercapitalism* is a necessary corrective to the gratuitous populism that consistently creeps into political rhetoric. If the recent past has taught us anything, it is that change is a basic element of capitalism. Reich himself makes clear that even as the postwar social bargain of democratic capitalism seemed to reach full strength, it was eroding. The brilliant economist Joseph Schumpeter (who also explored the relationship between democracy and capitalism) put it this way: “Stabilized capitalism is a contradiction in terms.” An economy that does not change cannot grow, with even more devastating consequences for democracy. ■

The Rise of Other Nations

Review by John Kao

THE POST-AMERICAN WORLD

Fareed Zakaria
292 pages, W.W. Norton & Company, 2008

In his new book, Fareed Zakaria argues that to stay competitive, America needs to reconsider its global role now that other countries’ growing success is reshaping the world. His call to action isn’t new; it goes back as far as Alice Amsden’s 2001 book, *The Rise of “the Rest”: Challenges to the West from Late-Industrializing Economies*. But Zakaria adds much to the discussion with his unique perspective, which is informed by historical events, cultural and political studies, and current affairs—and also with his telling details. He explains, for instance, how globalization’s increasing pace is evident in

JOHN KAO is a former Harvard Business School professor who advises companies and governments on innovation strategy. He is the author of *Jamming: the Art and Discipline of Business Creativity* and *Innovation Nation: How America Is Losing Its Innovation Edge, Why It Matters, and What We Can Do to Get It Back*.

the growing percentage of non-American players in the U.S. Open tennis tournament. He also entertains his readers: His droll description of Queen Victoria’s jubilee alone is worth the price of admission.

Not that I always agree with his analysis of globalization. For me, the value countries place on innovation directly relates to their place in the current world order. Yet Zakaria mentions innovation only glancingly, never discussing some important points: that right after World War II, the United States was preeminent in the innovation game; that in the next 63 years, know-how and resources were redistributed to other parts of the world; and that today many countries are adopting distinct strategies to compete in that innovation game. China, for instance, has taken up a brute force strategy by mass-producing engineers and university campuses.

Nor does Zakaria adequately discuss how rapidly the assets that create innovation—talent, capital, and ideas—can flow across borders these days, and that as a result the United States is at risk of experiencing a brain drain as well as the flight of venture capital. Our need to regenerate our appeal to immigrant talent, traditionally a source of vitality for our national innovation engine, has been well documented, yet Zakaria takes up the immigration issue only in the book’s coda. I longed for him to provide more of his thinking on the subject. Although he does well in describing the globalization of capital markets, he does not anticipate the current era of debt market meltdown and tight credit. And regarding ideas, the book gives short shrift to the globalization of science, his tip of the hat to the emerging field of nanotechnology notwithstanding. As Zakaria himself admits, his portrait of technology and science is only a snapshot of a rapidly changing situation.

What should America do during the next lap of the global innovation race? Surely our future lies in developing the business model of systems integration—combining subsystems into a whole to create value.

Our asset base for such an approach is large. We have talented people whose ethnic backgrounds and language skills allow them to create business bridges with colleagues in

their countries of origin. We have management skills and the ability to leverage business intelligence on a global scale. We have an ethos that encourages risk taking and unconventional behavior; take Apple Computer’s “think different” marketing campaign. And we have financial, academic, and corporate resources galore.

Zakaria anticipates how such a systems integrator role might work for the United States. Systems integration “involves consultation, collaboration, even compromise,” he writes. “It derives its power by setting the agenda, defining the issues, and mobilizing coalitions.” Indeed, by proceeding along these lines, America will remain an integral part of a new global blend—as long as its politics, international profile, and intentions all mesh with it, that is. ■



Opening the Asylum Doors

Review by Stephen P. Hinshaw

THE INSANITY OFFENSE: How America’s Failure to Treat the Seriously Mentally Ill Endangers Its Citizens

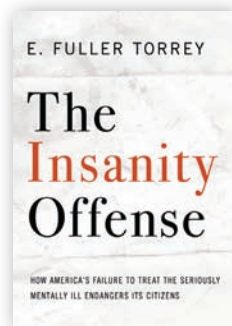
E. Fuller Torrey
265 pages, W.W. Norton & Company, 2008

Social reforms that occur too quickly or promise radical change often fail. Retrenchment and blaming of the reforms’ beneficiaries typically follow. Indeed, prolific author and psychiatrist E. Fuller Torrey outlines in his new book, *The Insanity Offense*, two quixotic reforms of the 1960s and 1970s that followed just this pattern: the adoption of cost-cutting deinstitutionalization policies that whittled down American public mental hospital patients from more than 550,000 in 1955 to fewer than 40,000 at present (despite the nation’s population having doubled); and the extension of civil rights to those with mental illness that make it nearly impossible to commit someone to a mental facility involuntarily. (A half century ago, all

STEPHEN P. HINSHAW is professor and chair of the department of psychology at the University of California, Berkeley. He is the author of *The Mark of Shame: Stigma of Mental Illness and an Agenda for Change* and *The Years of Silence Are Past: My Father’s Life with Bipolar Disorder*.

it took to commit a patient was a psychiatric recommendation and a judicial order.)

These reforms, which emanated from a curious combination of conservative, libertarian, and liberal forces, have allowed people who are sometimes dangerous and who often lack insight into their deteriorated mental states to languish in decrepit community facilities or even on city streets, without any means of getting the treatment they so urgently need. The results sometimes make headlines: People with paranoia and psychotic thought processes have committed brutal acts. But more often, the reforms have led to tragic, wasted lives of homelessness, despair, and victimization. Far too many people may be “dying with their rights on,” as psychiatrist Darold Treffert has put it.



Torrey, who has worked for decades on severe mental illness (schizophrenia, bipolar disorder, and psychotic depression), writes vividly about the brutal and sometimes incomprehensible acts perpetrated by a small number of people with severe mental illness. And he accurately explains what can trigger their outbursts: No longer housed in mental facilities, they are left to fend for themselves or with highly stressed caregivers. Torrey also rightly points out that given their irrational behavior and poverty, people with mental illness are often jailed and victimized themselves.

I support his call for a pendulum swing back to a more rational policy of enforcing treatment for those in society who may need it most, despite their lack of

understanding or insight. I also agree that to do so we must broaden the current criteria for involuntary commitment beyond simply imminent danger to self or others, or utterly impaired self-care skills. Indeed, the narrowness of these criteria makes it almost impossible to secure treatment for floridly psychotic individuals unless they literally have a gun in their hands or are overtly suicidal when police arrive.

Certainly such measures would invoke the wrath of those who insist on upholding the rights against coercive treatment of persons with serious mental illness, but something has to give. Reform will also require the creation of comprehensive community services (therapy, job skills, training in social competence) and programs that ensure that people with mental illness receive psychotropic (mind-affecting) medications. Torrey's thoughts here are reasonable. But I have

DOG-EARED

Inspiring Innovation

Review by David Bornstein

THE SOUL OF A NEW MACHINE

Tracy Kidder

320 pages, Back Bay Books, 2000 (originally published in 1981)

One evening in the summer of 1992, a year after I had graduated from New York University's journalism school, I ran into a former professor who asked me what I was working on. I mentioned that I'd recently written a magazine article about the

Grameen Bank for *The Atlantic* and was looking for a new subject. My teacher asked about the bank, and after noting my enthusiasm, commented, “Why don't you write a book about it?”

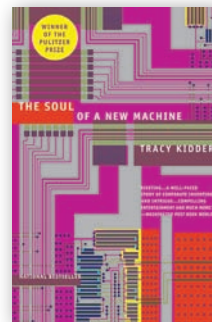
The question caught me off guard. I replied that the idea hadn't occurred to me. We dropped the subject, but in the months that followed, I could neither shake the thought nor figure out how to move forward on it. I didn't believe I could write a whole book about a Bangladeshi bank that people in the United States would care to read.

I don't remember how I came across Tracy Kidder's *The Soul of a New Machine*. But I do remember sitting in my parents' living room in Montreal on a sunny fall afternoon and feeling a thrill as I began to see, thanks to Kidder's marvelous nonfiction, how I could make the Grameen story come alive.

The Soul of a New Machine is ostensibly about a team of engineers in the late 1970s who build a 32-bit superminicomputer—a challenge then at the forefront of technological innovation. But the book isn't really about building a computer. It could be fairly titled *The Soul of Anything New*, since it's really about how people come together and achieve remarkable things. At its deepest level, it's about the conditions that produce excellence in human endeavors.

Reading the book, I scribbled notes in a hundred places, flagging

where Kidder's storytelling might instruct my own. Kidder didn't seem to mind that his characters—“microkids” too young to know “what's supposed to be impossible” and their daring leader, Tom West—were mere electrical engineers spending their days and nights in a basement lab. He drew out their personalities and motivations in painstaking detail as if they were heroes in an epic history—and they became so. And Kidder wasn't afraid, as many journalists are, to show that he genuinely cared for his characters.



What I loved most about the book was the sense of wonder and possibility it generated in me. I knew the same drama and color Kidder had discovered in what could have been a dry and esoteric subject could be found within a story about Muhammad Yunus and others developing the Grameen Bank. Suddenly I thought: What a miracle of human inventiveness I have

stumbled upon in Grameen! How could I have failed to appreciate this before? I realized that for months I had dwelled on the distances between people and cultures, but that the “microkids” of Data General and the “microcredit kids” of Grameen Bank were, in fact, engaged in life in similar ways: They were in the act of joyful creation, and it was thrilling to share their journey.

Early in Kidder's book, one of the characters says that Tom West “brought us out of our depression into the honesty of pure work.” Kidder played a similar role in my life, helping me to discover my own true work.

DAVID BORNSTEIN is the author of *The Price of a Dream: The Story of the Grameen Bank* and *How to Change the World: Social Entrepreneurs and the Power of New Ideas*. His articles have appeared in *The New York Times*, *The Atlantic*, *Il Mondo*, *Défis Sud*, and other publications.

several cautionary notes.

First, although Torrey admits that society's stigmatization of people with mental illness is a major problem, he blames such stigmatization mostly on the violent tendencies of a small subgroup of individuals with extremely severe mental illness, rather than on the media's constant exaggeration of that group's behavior, a host of discriminatory laws, and a plethora of American cultural factors that make discussion or disclosure of mental illness utterly shameful. And as a means of emphasizing just how awful the consequences of untreated serious mental illness can be, Torrey often bullet-points sensational, violent crimes and murders perpetrated by untreated individuals with serious mental illness. Although it is certainly true that psychosis and paranoia—especially when accompanied by substance abuse—are associated with violent behavior, most forms of mental illness are not. By sensationalizing the accounts in this way, Torrey furthers the stereotyping of all people with mental illness.

As to Torrey's vehemence about the shortcomings of the deinstitutionalization

movement, his argument could be construed as a call for a return to massive public hospitals, which would be an unmitigated disaster. He states only once in the book that the closing of state hospital facilities has led to unprecedented life opportunities for many people with mental illness.

"Some are able to hold jobs ... and most have a social life," he concedes. Along this line, recall that large, filthy, and inhumane state hospitals flourished in the 1800s after Dorothea Dix and others launched impassioned reform movements decrying the intolerable treatment of those with mental disorders in orphanages or private almshouses. What if new reforms are not backed by adequate fiscal support and are not scrupulously evaluated? It would be a tragic irony if Torrey's humanitarian pleas led to retrenchment and backsliding—to a return to involuntary commitment for those with unpopular political beliefs or to the snake pits that were omnipresent during much of our nation's history.

Torrey should also be more critical of current treatment practices for people with serious mental illness—mainly the belief

that psychotropic medications will suddenly erase violence. Although these drugs are far more effective and, in many cases, less harmful than the offerings of 50 years ago, they are far from panaceas, and in many cases have severe side effects.

What we urgently need is multifaceted treatment in the community—accurate psychological diagnoses, education of and support for family members, financial support for housing and employment, and access to individual and group therapy as well as medication. Early identification of the small, potentially violent subgroup of chronically psychotic individuals is a major goal for research; this will require coordination among schools, physicians, families, and support agencies. Parity for insurance coverage of mental health treatments, as well as universal health care, is mandatory if those with mental illness are to receive appropriate intervention. Above all, an extended dialogue about mental illness across all facets of society, facilitated by more accurate media coverage, disclosures by eminent individuals, and legislative action, is essential. All of society would benefit. ■

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